

Message Text

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ACTION AF-04

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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 2084

C O N F I D E N T I A L KINSHASA 3026

LIMDIS

E.O. 11652: GDS

TAGS: EFIN, ENGR, CG

SUBJECT: ZAIRE OIL FACILITY DRAWING

REF: (A) STATE 079836; (B) KINSHASA 1961

1. IN REFLECTING UPON REFTELS AND EVENTS SUBSEQUENT TO IMF MISSION, I CONCLUDE THAT ZAIRE IS ENTITLED TO TREATMENT AT LEAST AS GOOD AS BANGLADESH. TO ME THIS MEANS THAT IMF STAFF SHOULD USE DRAWING REQUEST TO PRESS SOUND VIEWS ON GOVERNMENT OF ZAIRE, PARTICULARLY THAT ZAIRIAN AUTHORITIES SHOULD CONTINUE TO WORK WITH FUND STAFF ON FUNDAMENTAL MEASURES TO IMPROVE BALANCE OF PAYMENTS AND THAT OBJECTIVE SHOULD BE EVENTUAL RELAXATION OF RESTRICTIONS ON CURRENT TRANSACTIONS AND IMPORTS. FOR FORESEEABLE FUTURE, OF COURSE, IN SITUATION OF EXHAUSTED RESERVES, DE FACTO MORATORIUM ON SHORT-TERM COMMERCIAL DEBT SERVICING, AND DAY TO DAY RATIONING OF CURRENT FOREIGN EXCHANGE RECEIPTS, RELAXATION OF TRADE RESTRICTIONS IS IN FACT IMPOSSIBLE.

2. I DO NOT BELIEVE THAT IT WOULD BE APPROPRIATE FOR IMF TO INSIST THAT GOZ TAKE ADEQUATE STEPS TO CONTROL BUDGET DEFICIT AND CREDIT AS CONDITION FOR OIL FACILITY DRAWING, NOR DO I BELIEVE \$45 MILLION DRAWING WOULD PROVIDE SUFFICIENT LEVERAGE TO ACCOMPLISH THIS. STILL
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IMF STAFF TIME WOULD BE WELL SPENT IN SEEKING SOME

ADDITIONAL GOZ RECONGNITION OF NEED FOR VARIOUS ACTIONS.
ONE EXAMPLE: IMF TECHNICAL ASSISTANCE TO BANK OF ZAIRE
FOR FOREIGN EXCHANGE BUDGET MANAGEMENT MIGHT BE EXPLORED.
MOREOVER, IT JUST POSSIBLE THAT, IF LARGER CARROT
COULD BE CONVINCINGLY DESCRIBED IN COURSE THESE DISCUSSIONS,
THAT CONVERSATIONS WOULD LEAD ON TO STANDBY AND KIND
OF COMMITMENTS WHICH ARE NECESSARY TO RESTORE CONFIDENCE
IN INTERNATIONAL FINANCIAL COMMUNITY. THUS, I WOULD
FAVOR IMF SENDING SOMEONE HERE TO TALK ABOUT OIL FACILITY
DRAWING, IT BEING UNDERSTOOD THAT MINIMAL GOZ UNDERTAKINGS
A LA BANGLADESH WOULD LEAD TO APPROVAL OF DRAWING IN
MAY BUT THAT IF MOBUTU'S ATTITUDE HAS EVOLVED,
FUND AND REST OF US WOULD WORK FOR KIND OF PACKAGE THAT
IS REALLY NECESSARY. IN SHORT, NEITHER USG NOR IMF
SHOULD TRY TO USE OIL FACILITY DRAWING TO STRAIGHTEN
OUT ENTIRE SITUATION BUT NEITHER SHOULD USG OR IMF
LET PASS OPPORTUNITY FOR FURTHER DISCUSSION OF WHAT IS
REALLY INVOLVED. IN END, BOTH OUR POLITICAL AND ECONOMIC
INTERESTS ARGUE FOR US SUPPORT OF DRAWING.
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